

Abstract/Introduction

- Economic studies refrain from recommending large tobacco taxes
- Behavioural economics; psychological tendency to prioritise immediate gratification > long term health/future harm
- Taxes = self control device
- Tax level = how excessively people underrate harm from tobacco use and varies between countries
- More equitable for low income groups than traditional econ analysis suggest so would strengthen case for tougher global taxation
- Some estimates; taxes raise real price of cigarettes by 10% = 3.36% reduction in consumption in high income countries and 6% in low income where people are more price sensitive
 - Link to other article on tobacco - are people with lower incomes price sensitive or income sensitive
- Economic theory?
 - High taxes = inefficient if harm from reducing consumption choices of the individual is greater than the social benefits of reducing tobacco use.
 - Higher tobacco taxes = regressive if poorer groups bear a larger burden
- Issue of self control often ignored in theory and practice —> where behavioural economics comes in

Insights from behavioural Economics

- Holds that tobacco use shows interactions of supply and demand
- Traditional economics; amount of tobacco consumed at a given price exactly represents their personal preferences
- Behavioural economics; some demand for tobacco reflects overconsumption due to poor self control
- Individuals consuming tobacco can still act rationally; even though they know it is harmful, they will respond in rational ways to the market e.g. reducing consumption when prices increase

Exponential Discounting

- Time preference (individuals value the present > the future —> positive rate of time preference)
- traditional approach; discounting process is smooth/free of sudden changes

Hyperbolic Discounters and Tobacco Overconsumption (Gruber and Koszegi)

- 'some decisions...are made under exceptionally impatient circumstances'
- Short term vs. long term future harm - more emphasis is placed on the short term where the effects will not be felt as much therefore this leads to chronic undervaluing of the health implications of smoking and leads to overconsumption

Traditional Approach to Tobacco Taxation

- Rational users assumed to internalise private costs/effects of consumption on themselves but not those unintended which they impose on others (externalities)
- Optimal product tax should offset externalities not private cost

Behavioural Approach

- Economists do not tax private harm as smokers are assumed to be aware of this
- Some private costs result not from rational decisions of smokers but because they overrate immediate benefits against private harm. Taxation could correct overconsumption

Abstract

- Ethical issues of tobacco taxation and policy responses to minimise ethical dilemmas
- Benefits of taxation; deters youth take up, promotes quitting, reduces SHS exposure
- Problems; financial hardship in lower socio-econ groups
- Increased autonomy; freedom from SHS and from nicotine dependence for quitters
- Decreased autonomy; unjust additional tax burden on those who continue to smoke
- Increases in taxation; reduce health inequalities —> justice
- Overall tobacco tax is ethically justifiable but scope for policy change
- APPROACH = biomedicine ethical framework —> utilitarianism and rights based approach

Introduction

- Shibuya et al (2003) tobacco taxation = most effective control policy across the world
- Potential for government dependence on tobacco revenue

Beneficence

- Principle of beneficence = moral obligation to act for benefit of others
- Benefits to smoker health via reduced tobacco consumption
 - increasing unit price for tobacco = effective reduction in consumption + new smokers (Shibuya et al, 2003)
 - Fichtenberg and Glantz (2000) tobacco control programme in US which incl tax increase associated w reduction n deaths from heart disease in short term
 - Shibuya et al (2003) current levels of tax save 15million DALYS each year
- Benefits to health of non smokers
 - SHS —> lung cancer as well as increased mortality where non smokers live with smokers
 - Reduced exposure as smokers quit/cut down
 - Ringel and Evans (2001) increase in cigarette tax by \$0.55/pack = reduced maternal smoking by 22%
- Benefits of preventing youth uptake
 - Hopkins et al (2000) increased tax leads to reduced youth uptake
 - Arguments that it just delays tobacco use but this in itself is beneficial
 - Likely to be a lighter smoker, less dependent therefore more able to quite
- Financial/economic benefits for society, smokers and households
 - Lower out of pocket medical expenses, lower health/life insurance premiums, lower cleaning costs for clothing/furnishings
 - Tax revenue —> tobacco control spending —> programmes for reducing smoking
 - Reduced health sector costs overall? Especially relevant w public funded health systems
 - Increased work productivity, fewer breaks, fewer pre deaths, accidents, lower absenteeism and reduced instability
 - Reduced insurance costs, decreased tobacco related fire damage and reduces ventilation/cleaning costs

Non-maleficence

- Net medical benefits with minimal harm. Public health interventions should avoid/minimise harm
- Financial hardship
 - New Zealand est. that 14% of non housing budgets of smokers —> tobacco
 - This analysis ignores other potential harm if there was no tax e.g. morbidity costs, medical costs, sick leave from work
- Industry job losses
 - Reduced employment in tobacco production, manufacture and sales?
 - But new jobs would be created due to consumer spending going elsewhere
 - As tobacco sales decline, productivity should increase and therefore economy should grow